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2. COMMENT ON SOVIET-WEST GERMAN TRADE RELATIONS

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A Bonn Foreign Ministry official, Van Scherpenberg, recently told American officials he intends to inform Soviet ambassador Zorin that the West Germans made no promise during Chancellor Adenauer's negotiations in Moscow last September to conclude a trade agreement, although they are prepared to talk about the "development of trade."

During Adenauer's negotiations in Moscow, Bulganin referred to the very limited and unstable nature of Soviet-West German trade and urged a long-term agreement of 4 to 5 years' duration. On his arrival in Bonn in December 1955, Soviet ambassador Zorin renewed this proposal. He has visited many West German industrial concerns and dangled the prospect of large Soviet orders before West German businessmen in return for their intervention with the federal authorities to negotiate an agreement. Two Soviet embassy officials recently visited Alfried Krupp in Essen in an effort to persuade him to write a letter to Chancellor Adenauer that negotiations should be undertaken.

Although there has been some pressure from business circles to liberalize trade with the USSR, the Bonn government has shown no interest and has sought to check the Soviet embassy's activities in that direction. Foreign Minister Von Brentano is reported to have said on 11 May that a trade agreement would be concluded only when relations with the USSR were "normalized" and Germany reunified.

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3. PINEAU REPORTS KHRUSHCHEV'S VIEWS ON GERMAN REUNIFICATION

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French foreign minister Pineau informed Ambassador Dillon on 31 May that during the French leaders' recent visit to Moscow, Khrushchev had clearly and frankly stated his opposition to German reunification on any basis whatsoever. Khrushchev said it was obviously much better for the USSR to have 50,000,000 Germans against it and 20,000,000 where they are now than to have 70,000,000 Germans united against it.

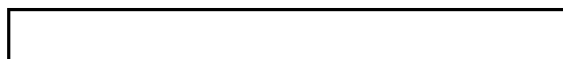
Pineau said it was clear to the French that when the USSR contends that reunification is a problem to be discussed between the two German governments, it certainly does not expect such discussions to lead to reunification.

Khrushchev also told the French that while the USSR in the long run could always count on reaching a workable disarmament arrangement with the United States, the Soviet leaders could have no such confidence in Germany.

Comment

Khrushchev's remarks about the USSR's interest in the continued division of Germany, a view he has expressed on several previous occasions, and his expression of distrust toward Germany were obviously calculated to appeal to what the Soviet leaders probably regard as similar interests and fears on the part of the French.

The USSR, in an attempt to draw French support away from the Western position on German rearmament and reunification, has long sought to impress on successive French governments that the USSR and France have a strong mutual interest in preventing a resurgence of a rearmed and unified Germany.



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4. ITALIANS EXPECT PREMIER SEGNI TO VISIT MOSCOW

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The question of a visit by Italian premier Segni and foreign minister Martino to Moscow was raised again on 1 June by the Soviet embassy in Rome. According to the American embassy, the Foreign Ministry believes Segni and Martino will feel forced to visit the USSR by fall, and the Soviets have been assured that an Italian parliamentary group will visit the USSR this summer.

Comment

Soviet ambassador Bogomolov reportedly discussed the idea of a visit with Segni and President Gronchi last January, but the Italians stalled because of the then upcoming local elections. At the present time, however, it is likely that Segni and Martino, if not Gronchi, will accept the Soviet invitation.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 3 June)

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Although information is lacking on the details of the military and political talks between Syria and Jordan which were recently concluded in Amman, the American embassy has unfirmed reports that some secret agreements were reached on military matters, including furnishing of arms to Jordan. On 1 June the Amman press reported that Syrian president Quwatli promised to supply Jordan with all needed weapons, and the American embassy reports that on 31 May a Syrian truck was observed in the center of Amman distributing light machine guns to members of Jordan's National Guard.

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A recent discussion with a Syrian Foreign Ministry official suggested to the American ambassador in Damascus that the Arab states would consider Canadians, including UN truce supervisor General Burns, unacceptable as impartial UN representatives in the Near East if Canada should sell arms to Israel.

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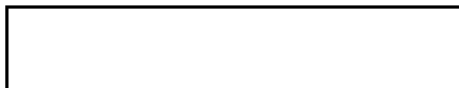
Israeli government officials have again raised the question of Israeli resumption of work to divert waters of the Jordan River within the demilitarized zone opposite Syria. Ambassador

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Lawson in Tel Aviv reports an approach on 31 May by the Israeli minister of commerce and industry and the director general of the Prime Minister's Office in which they cited growing pressure within and outside the cabinet for a decision on resumption of the diversion project. While such a decision did not have to be made "within the next week," they said, the situation made it essential that the Israeli government receive from the United States a "formula" for completion of Israel's water development program. While acknowledging the importance of Export-Import Bank financing for the project, the Israelis appeared reconciled to some delay in the bank's action, and considered disclosure of an American "formula" the matter of immediate concern.

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